RV BUSINESS

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DESTINATION CAMPING: Activity-filled, resort-style destination camping is spreading beyond its traditional Sun Belt and retiree markets. Northern campgrounds and younger families are now being drawn to this RV lifestyle. See story below.

Destination Camping on the Upswing

The concept of activity-filled, resort-style destination RV parks is taking an ever firmer hold in the RV marketplace, bringing with it both benefits and challenges for RV park owners and dealers.

Of course, like the membership campground concept, the idea of destination RV resorts has existed for years, fed by the growing ranks of snowbirds who flock to the country's Sun Belt areas during the winter. But now destination resorts are expanding outside the Sun Belt and reaching toward younger markets, with many geared to provide a wide range of family-oriented activities as well as the more traditional programs aimed at retirees.

Bob Bouse, president and general manager of Clearbrook Resort, Clermont, Fla., explained that his park provides a prime example of the new type of destination camping that is appealing to a wide variety of RV-park visitors.

"What we have here," Bouse said, "is a park that has two distinct seasons and serves two different markets. First, we are very much into the park-model scene, and we are seeing a lot of retirees who have been full-time RVers for years and have now

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Diesel Pusher Is Hot '92 Trend

Diesel is the hottest thing going in the Class A motorhome business this summer, particularly a new breed of shorter, more-affordable, rear-engine diesel "pushers" on new chassis introduced recently by Spartan Motors Corp., Charlotte, Mich., and Oshkosh Truck Corp., Oshkosh, Wis.

These new downscaled pushers stress moderate size and low pricing and are unlike anything the North American motorhome buyer has seen before. And a number of mainstream motorhome builders, including Gulf Stream Coach Inc., Nappanee, Ind., and Champion Motor Coach Inc., Elkhart, Ind., have been busily developing new models with which to "blitz" the marketplace in the 1992-model year.

The small-pusher trend took off last fall when Spartan introduced its new fuel-efficient EC-2000 chassis powered by a Cummins 6BT 5.9-liter, 160-

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8 RVIA Lobbies For Federal Highway Funding

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10 2 Major N.J. Shows Cancelled; '92 Changes Cited

10 Fastener Law Will Affect Prices, Quality

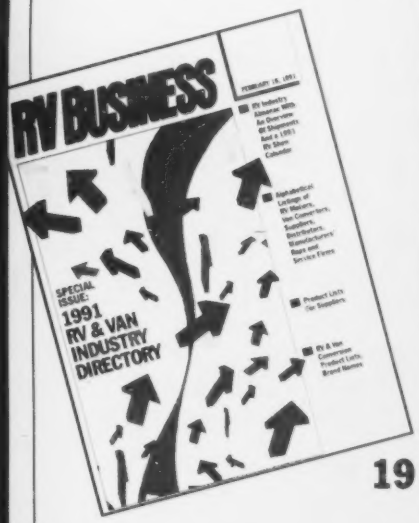
11 Thor Sells Okanagan to Trav-L-Mate

11 New Econoline Impacts RV Design for '92

11 Mallard Closes Georgia Plant

RV BUSINESS

VOLUME 42, NUMBER 7 | JULY 8, 1991 | TWO DOLLARS



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COVER PHOTO: POINT SEBAGO RESORT
INSET PHOTO: CLEARBROOK RESORT

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This midyear update of the 1991 RV & Van Industry Directory *includes new listings and corrections for RV manufacturers, van converters, suppliers, distributors, manufacturers' agents, associations and related RV services.*

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RVB's new special section, running in the first issue of each month, specifically focuses on news, people and products from companies supplying OEM manufacturers.

Van Conversions Revive ____ 30

1991 is likely to be a pivotal year for many van upfitters, offering both the triumphs of rebounding from record shipment lows and the trials of complying with strict new seating regulations.

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RECOVERY FORECAST — AGAIN

MORTON J. MARCUS

The difficult part of economic forecasting is coming back for more punishment. The forecaster knows that the reader already knows the previous prediction was seriously off-base. Yet, once again, the forecaster is trotted out like an old racehorse to pass in front of the stands while the crowd chuckles or kindly remembers better days.

But if the last forecast was fine but premature, we can use that one again. So, we assert once more, this recession is over. The recovery is at hand. You heard that before, but we'll try it again.

Understanding the Recession

What went wrong in the first quarter? Clearly, the RV industry did not rebound from 69,600 units to the 79,300 that we forecast. Instead, shipments fell to 56,400 units for the quarter. *(See Figure 1.)* The pattern of the industry followed that of the nation.

This recession is like no other that we have had in the past 50 years. This is the first recession that has taken place with a war in progress. But what a different war! For the first time in memory, government spending actually fell during the war. We fought this war out of inventory, and foreign governments paid us to do the fighting. It was such a short war that there was no massive surge in wartime production. Instead, there was a massive decline in consumer spending as Joe and Jane Consumer sat home watching their nation's armaments humble a far inferior military power.

Since Joe and Jane were not out shopping, sales fell for RVs, automobiles, refrigerators and all other types of consumer durables. The spending decline was at an annual rate of nearly 11% in real terms (after adjustment for inflation). Businesses, seeing consumer spending off and with no incentive to expand output, pulled back on investment. That decline in the first quarter was at an annual real rate in excess of 14%.

Finally, with the massive overhang of housing in East Coast, Southwestern and West Coast areas, where S&Ls have been taken over, the nation's home builders did not respond to lower interest rates. This interest-rate decline, which has been going on for two years or more, was at an annual real rate of 26% in the first quarter of 1991.

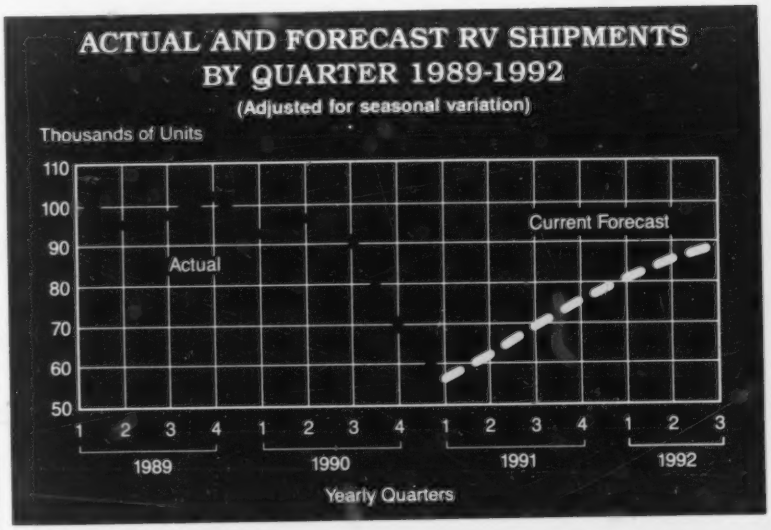

Figure 1

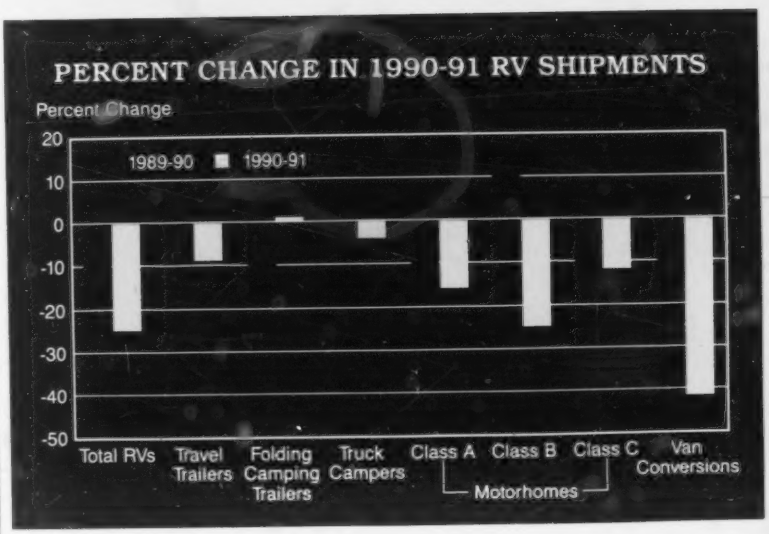

Figure 2

Normally, when interest rates fall, home building picks up and begins an economic recovery. But the depressed housing market in so many heavily populated areas has held back that usual response. Many banks are under pressure to reduce or limit their real-estate lending. These forces, bearing some uneasy similarities to the late 1920s, have given us a very different recession.

This is not a deep recession. It does not compare in severity to the big decline of 1979-1982. But it does have unusual features that have thrown our forecast and those of many others into disarray.

Is the Upturn at Hand?

There are signs that the worst is over. The real disposable income of consumers has stopped declining and has shown a modest increase. This is a key factor for the RV industry. Short-term interest rates continue to hold steady or decline. Many persons in the Midwest and elsewhere are relatively unaffected by the recession and are, to some extent, cash rich. Many consumers have paid down their debt and are in a position to consider big-ticket purchases.

With such factors at work, we now see the belated recovery starting in the second quarter of 1991 and continuing through 1992. *(See Figure 1.)* The improvement is, however, at a decreasing rate. It is not a robust gain, as recoveries go. But the first quarter of 1992 should be 44% above the depressed levels of that quarter in 1991.

The annual data indicate that the improved circumstances as the year progresses will not wipe out the losses imposed by the recession. *(See Figure 2.)* In total, our econometric model indicates that RV shipments for 1991 will fall nearly 25% below those of 1990. But that hit has already been taken. The data in Figure 2 hide the upward motion which will characterize most of 1991 as seen clearly in Figure 1. In Figure 1, the second quarter of 1992 stands 38% ahead of the second quarter of 1991. The trend is upward for the RV industry.

By midyear 1992, travel trailers should be shipped at a 100,000-unit annual rate once again. That will be a 37% gain over mid-1991 rates. All towables should rise by a similar percentage in the next 12 months.

In the second quarter of 1992, there should be 15,600 motorhomes shipped, up by 5,500 units (54%) from the second quarter of 1991.

Van conversions, the hardest-hit segment of the RV market in this recession, should be 34% healthier a year from now.

Please note that in these last paragraphs comparisons are being made between our forecast for the second quarter of 1991 and the same quarter in 1992. These are not bloated comparisons based on the depressed levels of the first quarter in 1991.

The Improving National Economy

Figures 3, 4 and 5 all show that 1991 will be a weaker year than 1990 and 1989. But again, the worst may be behind us. Hence, these figures tend to hide the improvements of the next few months.

The grand measure of the economy, real gross national product (real GNP), shows no growth in 1991, but our detailed forecast actually sees a return to more normal rates of growth as this year progresses. Only in comparison to last year does this year look static. Last year was one of decline, and this is a year ending on a note of growth.

Weakness in the American economy has been widespread for some time. Figure 3 reveals that residential investment, which drives much of the economy, has been on a long downward trend. This is the result of tax policy and demographic factors, as well as economic issues. No major upward motion is expected until some of the overhang of housing inventory is reduced.

Weaker economies abroad slow the growth of U.S. exports, and government provides no stimulus in 1991. The lower interest rates now prevalent will help provide some stimulus, but a rising dollar on international money markets will cut back our exports while making imports cheaper for American consumers. *(See Figure 4.)* No major inflation is on the horizon. Of interest to the RV industry is the forecast of motor-fuel prices in Figure 4. Note that they do not rise as fast as prices in general (as contrasted with the past two years). This is traditionally a positive factor for RV shipments. When motor-fuel prices rise faster than overall price levels, RV shipments tend to suffer. Hence, 1991 has a very favorable component for the RV industry.

Weakness in the economy takes the pressure off unit labor costs. *(See the forecasts for auto sales and housing starts in Figure 5.)* For the first time in many years, we will see this cost-push factor below 3%. Unfortunately, the Federal Reserve Board will still maintain slow growth in the money supply, as shown in Figure 4, keeping interest rates above a point where a truly major stimulus would be given to economic growth. Fear of inflation remains strong, and the need to keep the dollar from falling too far pressures interest rates.

ANNUAL GROWTH RATES AFTER ADJUSTMENT FOR INFLATION

	1989	1990	1991
Gross National Product	2.5	1.0	-0.1
Consumer Spending	1.9	0.9	0.1
Business Investment	3.9	1.9	-2.2
Residential Investment	-4.0	-5.4	-14.2
Exports	11.0	6.4	3.9
Imports	6.0	2.8	-1.5
Govt. Purchases			
Federal	2.1	2.6	-1.8
State & Local	2.4	3.0	0.8

Figure 3

KEY FACTORS IN THE FORECAST

	1989	1990	1991
Prime Interest Rate (%)	10.9	10.0	8.2
Value of the Dollar (1973=100)	98.5	89.0	91.6
Unemployment Rate (%)	5.3	5.5	6.7
% Change at Annual Rates:			
Money Supply (M2)*	3.7	5.2	3.9
Real Disposable Personal Income	2.4	0.9	-0.7
Consumer Price Index	4.8	5.4	5.0
Food & Beverages	5.7	5.7	4.2
Motor-Fuel Prices	9.4	14.3	3.2

*M2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.

Figure 4

ANNUAL TRENDS

	1989	1990	1991
Unit Auto Sales (millions)	9.9	9.5	8.8
Unit Housing Starts (millions)	1.4	1.2	1.0
Personal Savings Rate (%)	4.6	4.6	3.8
% Change in Compensation per Manhours	3.3	3.1	3.7
Productivity	0.2	-0.8	1.1
Unit Labor Costs (Compensation – Productivity = Unit Labor Costs)	3.0	3.9	2.6

Figure 5

The Risks in the Forecast

This forecast is based on what our model of the economy tells us. Models are powerful aids, but they only tell us what historical relationships can reveal. Some of our current circumstances are not well-handled by the model. The major concerns about the banking and insurance industries are a depressing force. The overhang of residential and commercial building space in many markets also keeps the economy from growing. Hence, we could see less expansion than this forecast indicates.

But there is another factor worth considering. Models tend to smooth out reality. The course of the next few months will not be as smooth as shown in Figure 1. Just as the decline of the past was sharp, consumers could suddenly come into the market with great strength this summer, making this forecast look far too pessimistic.

Indeed, our experience is that recoveries tend to be more robust than the forecasts would suggest. Some sectors of the economy may surprise us most pleasantly, and RVs could be one of them. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.